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# China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No 35, 30 DECEMBER 1985

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PRC STATE COUNCIL BULLETIN

No 35, 30 DECEMBER 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 35, Dec 85

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## REPORT ON RAISING MACROECONOMIC MANAGEMENT OF AUTO INDUSTRY

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 pp 1155-1158

[Report of the State Planning Commission, the State Economic Commission, the Ministry of Machine-Building Industry, and the China Automotive Industry Corp on Stepping up Macroeconomic Management To Promote the Healthy Development of the Automotive Industry (Summary) (28 September 1985)]

[Text] In accordance with the instruction by leading comrades of the State Council on developing China's automotive industry, the State Planning Commission, the State Economic Commission, the State Restructuring of Economic System Commission, the Ministry of Machine-Building Industry, and the China Automotive Industry Corp in November last year convened a national planning conference for the automotive trade. Suggestions were made on plans for the development of the automotive industry and on the reform of the management system at the conference, and these were subsequently passed on to the people's governments of various provinces, autonomous regions, and centrally governed municipalities for implementation with the approval of the State Council. However, under the new situation in which the demand for automobiles is growing rapidly and production is steadily on the rise, new problems have surfaced.

1. There is an acute shortage of products, prices are unreasonable, and there is unchecked growth in the number of production plants and centers. Due to the present practice of a two-level price control structure (with the prices of automobiles produced by local enterprises fixed by provincial and municipal authorities), the phenomenon of irrationality where automobiles of the same tonnage are sold at prices that do not reflect their quality--high-quality products being sold at low prices and poor-quality products being sold at high prices--is very serious. Many departments and localities let themselves be guided by local interests. In order to increase revenue and provide employment, they have blindly increased the number of automobile plants and production centers. At present there are over 100 automobile plants in the country.

2. The scale of production is unrealistically enlarged.

3. There are too many units handling external dealings and importation is duplicated.

4. Automobiles are imported in a blind way.

If the above problems are not properly resolved, it will be impossible to realize the development strategy of achieving a high starting point, mass production, and specialization in the automobile industry. Further imports of foreign automobiles in large numbers is bound to upset the balance of our foreign exchange receipts and payments and impair the healthy development of our automotive industry. In order to change this situation, we must strengthen overall control by adopting effective administrative and economic measures. The following is a report on policy measures for strengthening overall control:

1. We must persist in implementing a unified plan for the whole trade.

During the Seventh 5-Year Plan, the automotive industry must take the transformation and expansion of existing enterprises as its primary task, look to the large and key enterprises as the "heads," give full scope to the strength of military enterprises and existing small and medium-sized automobile enterprises in the localities, and take the road of achieving a high starting point, mass production, and specialization in developing the automotive industry. We must try as quickly as possible to develop automobile products of high standards and efficacy to meet the needs of a growing economy, to satisfy market demands, and to prepare the way for the entry of Chinese automobiles into the international market.

In line with the above requirements, we must first concentrate our resources on developing a number of specified key projects. Later, when conditions permit, we may select a number of pending projects for inclusion in the Seventh 5-Year Plan with the approval of the state. In addition, we must guide some of the medium-sized and small automobile plants that possess the necessary conditions to close ranks with the key enterprises and take the road of specialization. All other automobile plants and centers shall not be included in the Seventh 5-Year Plan for the automobile industry.

a) Projects Already Decided On

In line with the principle of the planning conference for the automotive trade that we must concentrate our resources on those key automotive development projects already approved by the state, we have singled out a number of projects which, through importation and development, will produce the techniques of international standards of the 1980's. These projects will function as "heads" insofar as utilizing the potential of local and military enterprises, organizing economic combinations between similar products and between regions, and promoting coordination among specialized departments are concerned. Their development program and funds have basically been approved, and their designing prospectuses have already been given the green light or are being examined.

b) Projects Pending Decision

In some cases, the scale of construction of certain local projects that have already been decided on needs to be enlarged. However, because their construction funds have yet to be added to the Seventh 5-Year Plan of the locality and department, and because product model selection and cooperation relationships have yet to be studied, the expansion parts of these projects and other projects that already have a fairly solid foundation are treated as projects pending decision, to be included in the Seventh 5-Year Plan with the approval of the state after these problems have been resolved.

c) Plants and Centers Where Coordination Among Specialized Departments Is Carried Out

Medium-sized and small automobile plants already included in the annual production plan of the state should be guided to close ranks with key enterprises undertaking projects already decided on by the state. The China Automotive Industry Corp shall assign the direction of specialized coordination in the light of the requirements of individual plans and turn these plants as quickly as possible into chassis production plants, assembly plants, refitting plants, various types of finishing plants, automobile equipment plants, technological equipment manufacturing plants and parts and accessories production plants. These shall be included in the Seventh 5-Year Plan upon approval by the State Planning Commission.

2. We must strictly control the random launching of automotive construction projects and the unrealistic enlarging of the scale of construction.

a) All localities and departments must proceed from the interests of the whole and organize work in accordance with the project descriptions and scale of construction prescribed in the Seventh 5-Year Plan for the country's automotive trade. Large and medium-sized projects that go beyond prescribed limits must be approved by the State Planning Commission after advice has been sought and feasibility proven and after the cases have been examined by the China Automotive Industry Corp. Projects within prescribed limits must be reported to the China Automotive Corp and will be examined and approved by the corporation in conjunction with the localities and departments concerned. Such projects must also be reported to the State Planning Commission and the State Economic Commission for the record.

b) No locality or department should launch additional projects not included in the plan, enlarge the scale of construction, split up a large project into smaller ones and take it upon itself to authorize projects. In accordance with the State Council document "Guofa [0948 4099] (1985) No 45," the taxation department shall impose a doubly heavy building tax on unauthorized projects not covered by the plan.

c) All localities and departments should pool funds and resources into key transformation and expansion projects included in the Seventh 5-Year Plan. These enterprises should welcome investment from all quarters. Joint-equity



enterprises shall implement the economic policy of "whoever makes the investment gets the benefits," with investors sharing the products and profits according to their share of investment. Products receivable from shares paid out of one's own funds shall not be subject to the plan for unified distribution by the state and may be disposed of or sold by the investors as they see fit.

d) Outmoded products produced by existing automobile plants and centers of various localities and departments must be attested by automobile quality supervision and inspection organs (centers and institutes) assigned by the China Automotive Industry Corp. Products that conform to various automobile laws and regulations and have been tested and appraised in accordance with product-development procedures and quality standards prescribed by the state may, as market demands dictate, be included in the annual production plan of the state and allowed to continue to be produced. When conditions are ripe for the introduction of a production-licensing system in the automotive industry, these shall be dealt with in accordance with the relevant provisions of the production-licensing system. However, outmoded products may not be included in construction projects covered by the Seventh 5-Year Plan.

3. We must strictly control duplicate importation, stop the practice of letting too many units handle external dealings, and restrict automobile imports.

The importation of automobile manufacturing technology and the import of whole automobiles, or parts thereof, must be handled strictly in accordance with the relevant provisions of the State Council.

a) All automobile importation (including whole-car manufacturing technology, finishing technology, and parts and accessory manufacturing technology) shall be coordinated and examined by the China Automotive Industry Corp. Of these, items that go beyond the prescribed limits shall be examined and approved by the State Planning Commission in conjunction with the State Economic Commission at the suggestion of the China Automotive Industry Corp, while those within prescribed limits shall be examined and approved by the China Automotive Industry Corp in conjunction with the competent departments of the enterprises concerned or with the local authorities, with the first-mentioned playing the leading role. Projects undertaken with Chinese and foreign investment, on a cooperative basis or with exclusive foreign investment must be examined by the China Automotive Industry Corp, which will offer its opinions. Projects that go beyond prescribed limits shall still be examined and approved by the State Planning Commission in conjunction with the State Economic Commission and the Ministry of Foreign Economic Relations and Trade as originally stipulated. Projects within prescribed limits shall be examined and approved by the State Economic Commission in conjunction with the Ministry of Foreign Economic Relations and Trade. No department may take it upon itself to authorize the import of automotive importation.

b) Plants and centers included in the Seventh 5-Year Plan for the automotive trade can only proceed with external dealings after their applications have been examined and approved according to prescribed procedures.



c) It is necessary to strictly control the unchecked import of spare automotive parts.

d) Banks and customs at all levels must strengthen their supervision.

4. We must bring into play the role of pricing, taxation, and other economic levers.

a) There must be a rational price ratio between the whole car, on the one hand, and finishing and spare parts and accessories, on the other. The tax rate on finishing and spare parts and accessories should be appropriately lowered and that on whole cars raised. Tax revenue reduced as a result of the lowering of tax rate on finishing and spare parts and accessories is to be made good with increased revenue from a higher tax rate on whole cars. Specific methods shall be worked out at the initiation of the China Automotive Industry Corp, to be approved by the Ministry of Machine-Building Industry, the Ministry of Finance, and the State Administration of Commodity Prices.

b) At present, there is coexistence of mandatory, guidance, and self-marketing targets in the state's automotive production target, and in marketing, there are diversified forms such as unified distribution by the state and self-marketing. In order to keep enterprises with small output, poor quality, and high cost of production from making excessive profits, we must first strictly implement the present ex-factory price set by pricing departments for automobiles subject to the state's unified distribution. The price of automobiles not subject to the state's unified distribution should be determined according to market demand and price changes. The state shall impose on users of automobiles not subject to unified distribution a vehicle purchase surcharge in accordance with the provisions stipulated in the document "Guofa [0948 4099] (1985) No 50 ("Circular on the Method of Levying and Collecting Vehicle Purchase Surcharge," carried in issue No 13 of 1985 of this bulletin). In addition, the state shall also levy a separate purchase surcharge at a certain percentage of the ex-factory price, which shall be deposited in a special account of the China Automotive Industry Corp at the Industrial and Commercial Bank of China, to be used for funding key construction projects of the automotive industry. The use of such funds shall be arranged in a unified manner by the China Automotive Industry Corp in accordance with relevant state stipulations, specific methods of which shall be formulated by the China Automotive Industry Corp in conjunction with departments concerned. They shall also be responsible for organizing the implementation of these methods.

Please approve and circulate the above report to various departments and localities concerned for implementation should nothing inappropriate be found.

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CSO: 4005/166

MINISTRY REQUEST FOR MORE CONTROL OVER LEGAL SERVICE UNITS

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 p 1159

[Justice Ministry Request for Instructions Concerning the Strengthening of Unified Control Over Organizations of Legal Service (21 October 1985)]

[Text] In order to satisfy public needs for legal services, China has restored the attorney system, actively expanded the ranks of attorneys, and set up more law offices. These offices have played a definite role in promoting China's economic development. However, due to the lack of clear-cut and unified regulations governing the conditions and examination and approval procedures for the setting up of legal service organizations, the prescription of their scope of operation and the supervision of their activities in the past, problems exist to varying degrees in these legal service organizations. For example, some are unable to provide good legal service to the public because they lack qualified legal personnel; some cannot ensure the normal conducting of legal service work because they do not have any permanent staff; some conduct activities under the signboard of "companies"; some engage in a multitude, even a complete range, of attorney services while claiming to offer individual attorney services; some even set up "attorney offices" and practice law without the approval of judicial and administrative departments. These practices are in contravention of the laws currently in force and must be promptly rectified. In view of this, it is proposed that:

1. Applications for the setting up of legal service organizations must be submitted by the units in charge and examined and approved by the Ministry of Justice or the justice department (bureau) of the province, autonomous region, or centrally governed municipality concerned.
2. Legal service organizations already set up must be carefully rechecked by approving agencies. Those that meet the requirements may be allowed to develop their work; those that fail to meet the requirements must be effectively consolidated or dissolved.

Specific methods for exercising unified control over legal service organizations shall be separately formulated on the basis of the laws currently in force.

Please approve and circulate the above to various localities for implementation should nothing inappropriate be found.

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CSO: 4005/166

CIRCULAR ON RENAMING LANGUAGE-REFORM COMMITTEE

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 pp 1159-1160

[Circular of the State Council General Office on Renaming the Committee for Reforming the Chinese Written Language as the State Language Work Committee (16 December 1985)]

(Guoban Fa [0948 6586 4099] (1985) No 84)

[Text] For the purpose of strengthening language work during the new period, the State Council has decided to rename the Committee for Reforming the Chinese Written Language as the State Language Work Committee. The State Language Work Committee will also be a department directly under the State Council. Its principal functions shall be: to implement the principles, policies and decrees of the state in respect of language work, promote the standardization of the spoken and written language, continue to promote the work of reforming the written language, and do a good job of related social services. Nationalities language work shall continue to be administered by the State Nationalities Affairs Commission.

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CSO: 4005/166

CIRCULAR ASKING STRONGER PUBLICATION CONTROL

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 p 1165

[Circular of the Ministry of Culture, the Ministry of Finance, and the State Administration for Industry and Commerce on the Approval and Circulation of the "Request for Instructions of the Ministry of Culture concerning the Strengthening of Control Over Publication Activities by Means of Economic Sanctions" (15 November 1985)]

(Wenchuzi [2429 0427 1316] (1985) No 1781)

[Text] The "Request for Instructions of the Ministry of Culture Concerning the Strengthening of Control Over Publication by Means of Economic Sanctions" has been approved by the State Council and is hereby passed on to you for implementation. No nonpublishing unit may publish books for sale in society. The types and varieties of books to be controlled by publishing units and the enforcement time shall be stipulated by the State Publication Bureau.

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CSO: 4005/166

## MINISTRY REQUEST FOR INSTRUCTIONS ON PUBLISHING CONTROLS

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 pp 1165-1166

[Request for Instructions of the Ministry of Culture Concerning the Strengthening of Control Over Publication Activities by Means of Economic Sanctions (29 August 1985)]

[Text] Considering some of the negative effects on the readers, particularly those in their adolescence, and considering the order of priorities to be observed in the utilization of paper resources and publishing capacities, control over the types and numbers of certain books published is necessary. The Ministry of Culture and the State Publication Bureau have already formulated a series of provisions in this regard. However, in their preoccupation with profitmaking, some publishing firms have not implemented these provisions, as a result of which books which should be controlled have not been effectively put under control. In addition, some nonpublishing units have also been indiscriminately compiling and printing books to make money, and thus far nothing has been done to check the practice. In order to implement the party's publication policies and strengthen control over publication, we are considering taking economic sanctions while continuing with our efforts to strengthen administrative measures. After consultation with the Ministry of Finance and the State Administration for Industry and Commerce, the following provisions are proposed:

1. Should a publishing firm act in violation of the provisions by publishing without authorization books subject to restriction, or print in excess of the authorized number, all illegal income derived from the unauthorized publication or the self-added portion shall be confiscated. Those who repeat the offense shall be fined.
2. Pornographic and other banned books and publications as well as books published by nonpublishing units (including newspaper and magazine offices and other units) which are classified as illegal publications may not be sold or distributed by any unit or individual. Once discovered, all such publications and illegal income shall be confiscated. In cases of gross violation, fines shall be imposed and personal responsibility traced.

3. All illegal income derived by printing houses from printing illegal publications shall be confiscated. In cases of gross violation, fines shall be imposed and the leaders of the units concerned shall be held responsible.

The above provisions shall be enforced by local administrations for publication and for industry and commerce. Problems discovered during the processes of editing and printing shall be handled by publication administrations, while problems arising in the sphere of circulation shall be handled by administrations for industry and commerce. Illegal incomes and fines derived from the violation of these provisions shall be handed to the local financial authorities upon verification by the administrations for industry and commerce. Problems arising in the Beijing area (including units at the central level) shall be investigated and dealt with by the administrations for publication and for industry and commerce in Beijing in accordance with the above-mentioned principle of division of labor. The types and varieties of books to be controlled and the enforcement time shall be clearly stipulated by the State Publication Bureau in the light of actual circumstances, and departments concerned with publication, financial matters, and industrial and commercial administration shall be notified. Financial and taxation departments at all levels shall supervise the implementation of the decisions of the administrations for publication and for industry and commerce. Expenses incurred in investigating and handling the above-mentioned violations may, upon examination and approval by the financial departments at various levels, be met by drawing from between 20 and 30 percent of the fines and confiscated incomes that should go to the treasury.

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CSO: 4005/166

CIRCULAR ON PRICE OF NONCONTRACT COTTON

Beijing STATE COUNCIL BULLETIN in Chinese No 35, 30 Dec 85 p 1168

[Circular of the Ministry of Commerce and the State Administration of Commodity Prices on the Price of Noncontract Cotton (26 November 1985)]

(Shangmian Lianzi [0794 2758 5114 1316] (1985) No 35)

[Text] Now is the season of cotton procurement. As reflected in various localities, cotton farmers would like the state to procure their noncontract cotton. Local supply and marketing cooperatives also would like to have specific instructions on the price of such cotton.

Following the implementation of policy of contract sales this year, the acreage sown to cotton was somewhat reduced. As a result of natural disasters in most cotton-growing areas toward the later stage, output and quality both dropped and cotton farmers suffered major cutbacks in their income. Because the use of cotton is rather unitary and is not easy to diversify, cotton farmers have difficulty marketing their surplus cotton on their own. In order that cotton farmers not have overly serious cutbacks in their income and in order to stabilize cotton production, it is decided through deliberation that should cotton farmers so request, the cotton and hemp companies of various local supply and marketing cooperatives shall buy the noncontract cotton at state procurement price without the offer of a higher price or the premium sale of chemical fertilizers. Cotton thus procured shall be supplied at state price and no separate supply price may be fixed.

While procuring noncontract cotton, the local authorities must publicize to the peasants the need to sow cotton in a planned way in 1986 by bearing in mind the quantities stipulated in the procurement contracts.

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END